R5650-2

JAPAN · ECONOMIC · INSTITUTE

JEI REPORT

NO. 6B
February 14, 1986

IN THIS ISSUE:

Yen Gets Second Wind Against The Dollar 1

Work Begins On Agenda For New Round Of Trade Talks 2

President Reagan Sets Legislative Priorities On Trade 3

Export Financing Update 4

More Motions On U.S.-Japan Lawyer Talks 5

JSP Adopts New Platform 7

Notes 8

Statistical Supplement 11

Yen Gets Second Wind Against The Dollar

On February 10 the yen rose to its highest level since November 1978, closing at Y189.9=$1.00. After eight days of consecutive increases, its momentum had been broken briefly by Bank of Japan governor Satoshi Sumita's February 3 statement that the yen was rising too rapidly against the dollar. But the yen resumed its appreciation relative to the dollar following President Reagan's remarks on exchange rates in the State of the Union address. His statement that economic growth requires "reliable" exchange rates was perceived as a call for a further decline in the dollar.

Trade and Payments Data
(in millions of dollars unless otherwise indicated)

	1983	1984	January-December 1984	January-December 1985	October 1985	November 1985	December 1985
Japan's Balance of Payments							
Trade Balance	$31,454	$44,257	$44,257	$56,002*	$5,401*	$5,349*	$7,045*
Exports (f.o.b.)	145,468	168,290	168,290	173,928*	15,992*	15,322*	17,742*
Imports (f.o.b.)	114,014	124,033	124,033	117,926*	10,591*	9,973*	10,697*
Current Account Balance	20,799	35,003	35,003	49,271*	4,773*	4,518*	6,805*
Long-Term Capital (net)	-17,700	-49,651	-49,651	-64,807*	-7,226*	-5,639*	-6,112*
Overall Balance	5,177	-15,200	-15,200	-12,318	-2,606	-290	-337
International Reserves (end of period)	24,496	26,313	26,313	26,510	26,372	26,303	26,510
Japan's Customs Clearance Trade							
Trade Balance	20,534	33,611	33,611	46,142*	4,359	4,779	6,643*
Exports (f.o.b.)	146,928	170,114	170,114	175,644*	16,035	15,485	17,927*
Cars	19,535	21,899	21,899	25,416*	2,471	2,577	2,523*
Steel	12,843	13,852	13,852	13,568*	1,086	1,048	1,411*
Imports (c.i.f.)	126,393	136,503	136,503	129,503*	11,675	10,706	11,284*
Crude Oil	40,063	39,379	39,379	34,601*	2,991	2,687	3,547*
Japan-U.S. Trade							
Trade Balance	18,181	33,075	33,075	39,511*	3,685	4,030	4,498*
Exports (f.o.b.)	42,829	59,937	59,937	65,290*	6,039	6,059	6,372*
Imports (c.i.f.)	24,648	26,862	26,862	25,779*	2,354	2,029	1,873*
Yen-Dollar Exchange Rate							
Tokyo Spot Market (end of period)	Y232.20	Y251.10	---	---	Y211.50	Y202.00	Y200.50
U.S.-Japan Trade							
Trade Balance	-19,289	-33,560	-33,560	-46,152	-3,403	-4,071	-4,461
Exports (f.a.s.)	21,894	23,575	23,575	22,631	1,834	1,972	1,761
Industrial Supplies	8,734	9,139	9,139	8,680	658	775	779
Food and Feed	5,555	5,929	5,929	5,001	431	420	377
Capital Goods	5,116	5,627	5,627	5,939	522	554	373
Consumer Goods	1,394	1,476	1,476	1,416	114	106	102
Imports (Customs)	41,183	57,135	57,135	68,783	5,237	6,043	6,222
Automotive Products	14,919	18,477	18,477	24,980	1,804	2,374	2,605
Capital Goods	11,896	19,290	19,290	21,516	1,667	1,761	1,774
Consumer Goods	8,296	11,266	11,266	14,017	1,196	1,269	1,189
Industrial Supplies	5,391	7,276	7,276	7,035	462	525	545

*Preliminary

Japanese Economic Indicators

(percentage change from year-earlier period unless otherwise indicated)

	1983	1984	January-December 1984	January-December 1985	October 1985	November 1985	December 1985
Discount Rate (end of period)	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Outstanding Money Supply	7.4%	7.8%	7.8%	8.4%*	8.6%	9.1%	9.3%*
Industrial Production	3.6%	11.1%	11.1%	4.6%*	1.6%	0.4%	1.7%*
Manufacturing Operating Rate	1.6%	7.3%	7.8%**	1.4%**	0.6%	-2.0%	n.a.
Number of Bankruptcies	11.9%	8.8%	8.8%	-9.7%	-6.6%	-11.6%	-15.2%
Residential Construction Starts	-0.8%	4.4%	4.4%	4.1%*	5.4%	6.5%	5.3%*
Job Openings to Applications (ratio)	0.60	0.65	0.65	0.68	0.67	0.67	0.67
Nominal Wages	3.5%	4.5%	4.5%	3.8%	3.6%	3.9%	3.2%
Labor Productivity	4.5%	9.9%	10.5%***	5.2%***	n.a.	n.a.	n.a.
Wholesale Prices	-2.2%	-0.3%	-0.3%	-1.1%	-3.2%	-3.8%	-4.2%
Consumer Prices	1.9%	2.2%	2.2%	2.1%	2.3%	1.9%	1.8%
Yen-Based Export Prices	-6.0%	0.6%	0.6%	-1.4%	-8.0%	-9.7%	-10.7%
Yen-Based Import Prices	-7.8%	-3.4%	-3.4%	-2.5%	-9.2%	-11.1%	-12.2%

*Preliminary

**Through November of each year only.

***Through September of each year only.

For Japan's most recent GNP figures, see JEI Report No. 48B, December 20, 1985.